Volatility in the Capital Market

42. SHRI S.S. AHLUWALIA: Will the Minister of FINANCE be pleased to state:

(a) the details of volatility witnessed in the Capital Market, particularly since January, 2008;

(b) the nature and magnitude of involvement of financial institutions registered in tax havens in buy and sell of stocks during the period;

(c) the volume of investments made *via.* Participatory Notes (PNs) route and their witndrawal during the bull and bear periods, respectively, indicating their percentage in the total FII flows in this period;

(d) whether the level of transparency prevailing under the current regulations in the stock market is adequate in ascertaining identity of the major funds flows from overseas; and

(e) if not, reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) Sensex and Nifty experienced volatility, computed as the standards deviation of log of returns, of 2.89% and 3.29% respectively in January, 2008.

(b) FIIs/sub accounts of FIIs based in jurisdictions perceived as tax-havens have made the following net investments during January, 2008:

Investments by entities based in Tax Havens in January, 2008

Country	Gross		Net Investment (Rs. crore)
	Purchase	Sale	
Bahamas	1.90	0.48	1.42
Cayman Islands	548.93	151.66	397.26
Guernsey	26.38	56.43	-30.05
Luxembourg	4,390.73	2,288.42	2,102.31
Mauritius	43,816.40	55,832.30	-12,015.90
Switzerland	474.5	323.78	150.77
Trinidad and Tobago	8.11	11.03	-2.92
Bermuda, British Virgin Islands, Channel Islands, Cook Islands, Cyprus, Gibralter		Nil	

(c) The notional value of outstanding PNs with Indian securities (excluding derivatives securities) as underlying constitutes 34.9% of aggregate assets under custody of FIIs.

(d) The Regulations require that PNs can be issued only to those entities which are regulated by the relevant regulatory authority in the countries of their incorporation or establishment and are subject to compliance of "know Your Client" norms. Further, downstream issuance or transfer of the PNs can be made only to a regulated entity. SEBI, therefore, considers the level of transparency adequate.

(e) Does not arise.